

## Message Text

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FM AMEMBASSY ROME  
TO SECSTATE WASHDC 5649  
INFO AMCONSUL MILAN

C O N F I D E N T I A L ROME 2191

FROM THE AMBASSADOR FOR HARTMAN

E. O. 11652: GDS  
TAGS: BEXP, IT  
SUBJ: POSSIBLE CLOSING OF MILAN TRADE CENTER

REF: ROME 859

1. APPRECIATE YOUR SYMPATHETIC RECEPTION MY REQUEST FOR SUPPORT FOR THE MILAN TRADE CENTER (MTC). ITS LOW OPERATING COSTS AND EXCELLENT PERFORMANCE RECORD MAKE THE CENTER HIGHLY COST-EFFECTIVE. I SUBMIT BELOW STATISTICS TO SUPPORT THIS ASSERTION, AS REQUESTED REFTEL.

2. OPERATING COSTS: ANNUAL DIRECT MTC OPERATING COSTS (AS OF JUNE 30, 1975) TOTALED DOLS 351,000 MAKING THE MILAN CENTER THE LEAST EXPENSIVE OF THE DEVELOPED MARKET TRADE CENTERS. BY COMPARISON, CENTERS IN OTHER LEADING U.S. EXPORT MARKETS HAD TOTAL DIRECT COSTS AS FOLLOWS: PARIS DOLS 780,000, FRANKFURT DOLS 615,000, TOKYO DOLS 576,000, LONDON DOLS 420,000. SPACE RENTAL COSTS (1,100 SQUARE METERS, WHICH INCLUDES OFFICE AREA, EXHIBITORS' HALL, A 90- SEAT CONFERENCE ROOM/AUDITORIUM) CAME TO ONLY DOLS 22,000, MAKING MTC RENT THE LOWEST OF ALL TRADE CENTERS BUT ONE.

3. PERFORMANCE: LOW OPERATING COSTS, PLUS THE CENTER'S EXCELLENT PERFORMANCE RECORD IN BOTH ABSOLUTE AND RELATIVE TERMS COMBINED TO MAKE MTC HIGHLY COST-EFFECTIVE. FOR THE MTC TOTAL EXHIBITOR PROGRAM (INCLUDING BSP'S), INCREMENTAL (I.E. ONLY NEW-TO-MARKET AND NEW-TO-EXPORT) SALES, TOTAL PROJECTED SALES, NUMBER OF EX-  
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HIBITORS, AND NUMBER OF VISITS HAVE BEEN MORE THAN SATISFACTORY:

FY-73 \*6-74 FY-75

INCREMENTAL SALES (MILLIONS OF DOLLARS)	51	36	60
FLOOR SALES (MILLIONS)	4	3	6
TOTAL PROJECTED SALES (MILLIONS)	67	55	172
NUMBER OF EXHIBITORS	244	355	331
NUMBER OF VISITORS	8644	8998	10689

4. THE MILAN CENTER HAS MAINTAINED ITS STRONG PERFORMANCE EVEN IN THE FACE OF ITALY'S CURRENT SEVERE ECONOMIC DOWNTURN. THUS FAR IN FY-76 (JULY 75 - EARLY FEBRUARY 76), MTC SALES FOR ALL EVENTS HAVE REACHED DOLS 46 MILLION, OF WHICH DOLS 17.4 MILLION REPRESENTED INCREMENTAL SALES AT MAJOR EXHIBITIONS. ATTENDANCE DURING THIS PERIOD IS ACTUALLY EXPANDING AND IS NOW AVERAGING OVER 1,300 PER MAJOR EVENT. THIS REPRESENTS AN INCREASE OF ABOUT 30 PERCENT OVER THE FY-75 SHOW AVERAGE, AND INDICATES TO US STRONG INTEREST IN AMERICAN PRODUCTS, TECHNOLOGY AND THE CENTER BY ITALIAN BUSINESS, EVEN UNDER UNFAVORABLE CONDITIONS. ANOTHER MEASURE OF THE CONFIDENCE AND REGARD WHICH ITALIAN AGENTS AND THEIR U.S. PRINCIPALS HAVE FOR THE CENTER IS A SURPRISING READINESS TO PAY A STEEP NEW DOLS 2,000 OLD-TO-MARKET EXHIBITOR FEE. AS OF FEBRUARY 10, 28 COMPANIES HAD PAID OR AGREED TO PAY DOLS 2,000 EACH TO ENTER THE FOUR CENTER SHOWS BEING HELD FROM FEBRUARY THROUGH MAY.

5. THE CENTER'S LOCATION ON ONE OF EUROPE'S MAJOR FAIR GROUNDS ENABLES AN INVALUABLE TIE-IN WITH A NUMBER OF MAJOR INTERNATIONAL FAIRS. THE CENTER AVERAGES 550 TO 600 NON-ITALIAN VISITORS PER YEAR MAINLY FROM SWITZERLAND, YUGOSLAVIA, AND GREECE. AS A RESULT, NEW THIRD-COUNTRY BUSINESS CONTACTS REPORTED BY MTC EXHIBITORS HAVE BEEN CONSISTENTLY HIGH: FY-73 DOLS 261,000; FY-74 DOLS 257,000; FY-75 DOLS 250,000.

6. CLOSING COSTS: TOTAL USG EXPENDITURES REQUIRED TO CLOSE MTC ESTIMATED AT DOLS 65,000. BREAKDOWN - (1) EMPLOYEES SEVERANCE PAY - DOLS 63,000 (USDOC DOLS 40,000, STATE DOLS 23,000) (2) FINAL RESTORATION AND REFURBISHMENT OF PREMISES PRIOR TO RECONSIGNMENT DOLS 2,000.

7. THIS IS THE PICTURE IN TERMS OF THE CONSIDERATIONS OF COSTS  
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AND COMMERCIAL PERFORMANCE ALONE. YOU KNOW MY VIEWS ON POLITICAL IMPACT. NOT TO BE DISCOUNTED, HOWEVER, IS THE CENTER'S INCREASINGLY IMPORTANT ROLE AS SHOWPLACE FOR U.S. TECHNOLOGY FOR ITALY. WE PLAN, FOR EXAMPLE, TO USE MTC AS FOCAL POINT FOR OUR BICENTENNIAL PROMOTION (SEE ROME 2183). THE MTC IS ALSO EXPANDING ITS ACTIVITIES OUTSIDE MILAN TO ASSIST US IN BRINGING THE U.S. PRESENCE CLOSER TO THE GRASS ROOTS DURING THE CURRENT POLITICAL CRISIS. AS A FIRST STEP, THE MTC IS ACTIVELY ASSISTING A SMALL

TRADE MISSION THE EMBASSY HAS ORGANIZED FOR BOLOGNA IN  
CONNECTION WITH AN EXHIBITION AT MILAN EARLY NEXT MONTH.  
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